

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT:	POCAHONTAS GAS PARTNERSHIP)	
)	
RELIEF SOUGHT:	FORMATION OF LONGWALL PANEL)	
	PRODUCTION UNITS KNOWN AS SLW1,)	
	SLW2, SLW3 AND SLW4 (sometimes)	
	collectively referred to as)	
	"Subject Drilling Units"))	
	FOR THE PRODUCTION)	
	OF COALBED METHANE GAS AND)	
	COALBED METHANE GAS FROM ACTIVE)	VIRGINIA
	AND UNSEALED GOB AREAS (herein)	GAS AND OIL
	collectively "Coalbed Methane)	BOARD
	Gas))	DOCKET NO.
)	
LEGAL DESCRIPTION:	IN THE CONSOLIDATION)	
	COAL COMPANY BUCHANAN NO. 1)	VGOB NO.
	MINE IN THE HURRICANE MAGISTER-)	91-1119-0158
	IAL DISTRICT OF BUCHANAN)	
	COUNTY, VIRGINIA AS MORE)	
	PARTICULARLY DESCRIBED IN SUB-)	
	PARAGRAPH 7.d. BELOW AND)	
	DEPICTED ON EXHIBIT B ATTACHED)	
	HERETO AND MADE A PART HEREOF)	

REPORT OF THE BOARD

FINDINGS AND ORDER

1. Hearing Date and Place: This cause came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on November 19, 1991 at the Virginia 4-H Center, Abingdon, Virginia.

2. Appearances: James P. Jones and Elizabeth A. McClanahan of Penn, Stuart, Eskridge and Jones appeared for Applicant.

3. Notice and Jurisdiction: The Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonable available sources to determine the identity and whereabouts of persons of record having or claiming the rights to Coalbed Methane Gas in the coal seams below the Tiller Seam, including the Lower Castle, Upper Seaboard, Greasy Creek, Middle Seaboard, Lower Seaboard, Upper Horsepen, Middle Horsepen, C, War Creek, Pocahontas No. 10, Lower Horsepen, Pocahontas No. 9, Pocahontas No. 8, Pocahontas No. 7, Pocahontas No. 6, Pocahontas No. 5, Pocahontas No. 4, Pocahontas No. 3, Pocahontas No. 2 and various unnamed coal seams or pools, and all zones in communication therewith and all productive extension thereof underlying the Subject Drilling Units (hereafter collectively referred to as "Subject Formations"), and (2) has given notice to all parties (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Sections 45.1-361.19 and 45.1-361.22, Virginia Code, 1950 as amended, to notice of this application. Further, the Board has caused notice of this hearing to be published as required by Section 45.1-361.19B, Virginia Code, 1950 as amended.

4. Amendments: None.

5. Dismissals: None.

6. Relief Requested: Applicant requests that the Board establish and create Subject Drilling Units for the Subject Formations underlying and comprised of the property more particularly described for each of said Subject Drilling Units in Subparagraph 7.d. below, for the production of Coalbed Methane Gas, and in order to conform to existing mine development plans that the Board establish well spacing and well density authority for each of Subject Drilling Units.

7. Reasons Relief Should Be Granted: The application and/or the uncontroverted testimony and evidence presented to the Board at the hearing reflect that:

a. The following named persons may be owners of Coalbed Methane interests in SLW1, SLW2, SLW3 AND SLW4 in the Subject Formations underlying and comprised of the property more particularly described for each of said Subject Drilling Units in Paragraph 7.d. below:

- (1) Hugh MacRae Land Trust, P.O. Box 29, Tazewell, VA 24651
- (2) Consolidation Coal Company, 1800 Washington Road, Pittsburgh, PA 15241
- (3) Pocahontas Gas Partnership, P.O. Box 200, Mavisdale, VA 24627

In addition to the three parties set forth in Subparagraph 7.a. above, the following named person may be an owner of Coalbed Methane interests in SLW1 in the Subject Formations underlying and comprised of the property more particularly described for said SLW1 drilling unit in Subparagraph 7.d. below.

Raymond Meadows, Rt. 2, Box 26, Oakwood, Va. 24631

b. Pocahontas Gas Partnership claims control of 100% of all coal below drainage, 100% of the oil and gas and 100% of the Coalbed Methane leasehold estate. Pocahontas Gas Partnership claims ownership of the right to explore for, develop and produce the Coalbed Methane Gas underlying 100% of Subject Drilling Units. The Board also finds that Pocahontas Gas Partnership has a unit and pooling designation agreement with all of the parties involved in Subject Formations underlying Subject Drilling Units.

c. It appears that Coalbed Methane Gas shall be produced from the pool defined as those strata correlative to Subject Formation underlying Subject Drilling Units. The Board concludes, based upon the evidence presented, that the gob area will be comprised of Subject Formations, i.e., it will extend from the base of the Pocahontas No. 2 seam of coal upward to and result in common communication of all seams and areas below the Tiller seam of coal.

d. In order to avoid drilling of unnecessary wells, prevent the various types of waste and protect the correlative rights of all owners and potential owners of Coalbed Methane Gas below the Tiller seam of coal with respect to the Subject Drilling Units, the most effective and economical method to recover and produce Coalbed Methane Gas is to conform to existing mine plans by the creation of Subject Drilling Units in Subject Formations, comprised and underlying Subject Lands which are in the Consolidation Coal Company Buchanan No. 1 mine as shown on Exhibit "B", bounded and described as follows:

- (1) SLW1: Beginning at a point Virginia (South Rectangular) State Plane Coordinate N 318,863 E 988,626, thence S 89° 45' 50" E 971.01 feet to a point (N 318,859 E 989,597), thence S 00° 46' 18" W 5,198.47 feet to a point (N 313,661 E 989,527), thence N 88° 12' 30" W 1,087.53 feet to a point (N 313,695 E 986,440), thence N 02° 03' 40" E 5,171.35 feet to the point of Beginning, containing 121.63 acres.

- (2) SLW2: Beginning at a point Virginia (South Rectangular) State Plane Coordinate N 318,859 E 989,597, thence S 89° 23' 59" E 859.05 feet to a point (N 318,850 E, 990,456), thence S 01° 06' 44" W 5,202.98 feet to a point (N 313,648 E 990,355), thence N. 89° 06' 06" W 829.10 feet to a point (N 313,661 E 989,527), thence N 00° 46' 18" E 5,198.47 feet to the point of Beginning, containing 100.90 acres.
- (3) SLW3: Beginning at a point Virginia (South Rectangular) State Plane Coordinate N 318,850 E 990,456, thence S 89° 18' 38" E 831.06 feet to a point (N 318,840 E 991,287), thence S 01° 06' 44" W 5,209.98 feet to a point (N 313,631 E 991,186), thence N 88° 49' 41" W 831.17 feet to a point (N 313,648 E 990,355), thence N. 01° 06' 44" E 5,202.98 feet to the point of Beginning, containing 100.50 acres.
- (4) SLW4: Beginning at a point Virginia (South Rectangular) State Plane Coordinate N 318,840 E 991,287, thence S 87° 51' 47" E 1,072.75 feet to a point (N 318,800 E 992,389), thence S 02° 09' 18" W 5,185.67 feet to a point (N 313,618 E 992,164), thence N 89° 14' 18" W 978.09 feet to a point (N 313,631 E 991,186), thence N 01° 06' 44" E 5,209.98 feet to the point of Beginning, containing 122.60 acres.

e. Based upon the Applicant's application, and in order to conform to existing mine plans, multiple coalbed methane gas wells should be authorized on each of Subject Drilling Units, and a minimum of one (1) well should be approved to be produced within SLW1, four (4) wells should be approved to be produced within SLW2, a minimum of three (3) wells should be approved to be produced within SLW3, and a minimum of three (3) wells should be approved to be produced within SLW4.

f. An exception to the Oakwood Coal Bed Gas Field Order No. OGCB 3-90 dated May 18, 1990 (the "Oakwood Order") is necessary in order to conform to existing mine plans and provide mine safety which will also prevent the waste of Coalbed Methane Gas, avoid the drilling of unnecessary wells, protect correlative rights. The Oakwood Coal Bed Gas Field units affected by this order as it pertains to SLW1 AND SLW2 are 25Z, 25AA, 25BB and 25CC, and the Oakwood Coal Bed Gas Field units affected by this order as it pertains to SLW3 and SLW4 are 26Z, 26AA, 26BB and 26CC.

8. Relief Granted: Pursuant to Va. Code Ann. §§ 45.1-361.1, et seq. (Supp. 1991), VR 480-05-22.1, et seq., Gas and Oil Regulations (1991) and VR 480-05-22.2, et seq., Virginia Gas and Oil Board Regulations (1991), the Virginia Gas and Oil Board ORDERS as follows:

a. The Board grants the application of Pocahontas Gas Partnership to establish and create Subject Drilling Units known and identified as SLW1, SLW2, SLW3 and SLW4 for the production of Coalbed Methane Gas in Subject Formations underlying and comprised of the property more particularly described for each such drilling unit in Subparagraph 7.d. above and as depicted on Exhibit B hereto.

b. As required by existing mine plans and pursuant to §45.1-361.20, Code of Virginia, 1950 as amended, the Board hereby authorizes the Applicant to permit and convert vertical ventilation holes in Subject Drilling Units to coalbed methane wells and/or to permit and drill coalbed methane wells in Subject Drilling Units in the number to the extent permissible within the well spacing and well density requirements hereafter set forth:

(1) Well Spacing Within Each of Subject Drilling Units: No coalbed methane well shall be located closer than 300 feet from any boundary of any of Subject Drilling Units; and no coalbed methane well authorized by this Order shall be located closer than 300 feet from any other coalbed methane well.

(2) Well Density Within Each of Subject Drilling Units: The maximum number of coalbed methane wells which may be located in any one of the Subject Drilling Units shall be the number which can physically be so located while maintaining compliance with the well spacing requirements set forth in subparagraph 8.b.(1) above. The Board acknowledges that the Applicant intends to seek approval from the Virginia Gas and Oil Inspector to permit and convert and/or drill the following minimum number of initial coalbed methane wells for each of Subject Drilling Units:

- (1) IN SLW1: One (1) Well
- (2) IN SLW2: Four (4) Wells
- (3) IN SLW3: Three (3) Wells
- (4) IN SLW4: Three (3) Wells

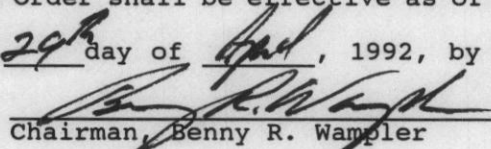
Applicant may apply for and the Gas and Oil Inspector may grant permits to convert and/or drill additional wells so long as Applicant remains in compliance with the provisions of this paragraph.

c. The Board grants the exceptions to the Oakwood Order set forth in subparagraphs 8.a. and 8.b. above, for the properties described in Subparagraph 7.d. above; for Oakwood Coal Bed Gas Field Units 25Z, 25AA, 25BB and 25CC as they apply to SLW1 and SLW2; and for Oakwood Coal Bed Gas Field Units 26Z, 26AA, 26BB and 26CC as they apply to SLW3 and SLW4 in order to conform to existing mine plans and provide mine safety which will also prevent the waste of Coalbed Methane Gas, avoid the drilling of unnecessary wells and protect correlative rights.

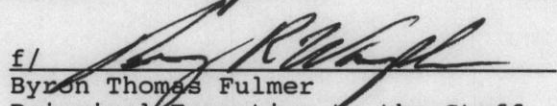
d. The exceptions to the Oakwood Order set forth in Paragraph 8 above are deemed to and apply, as more particularly set forth herein, only to the Subject Drilling Units for the production of Coalbed Methane Gas in Subject Formations underlying and comprised of the property more particularly described for each of Subject Drilling Units in Subparagraph 7.d. above. The Oakwood Order remains applicable to Subject Drilling Units, subject only to the exceptions granted herein.

9. Effective Date: This Order shall be effective as of November 19, 1991.

DONE AND EXECUTED this 29th day of April, 1992, by a majority of the Virginia Gas and Oil Board.

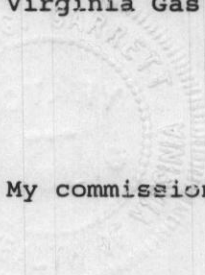

Chairman, Benny R. Wampler

DONE AND PERFORMED this 29th day of April, 1992, by Order of the Board.

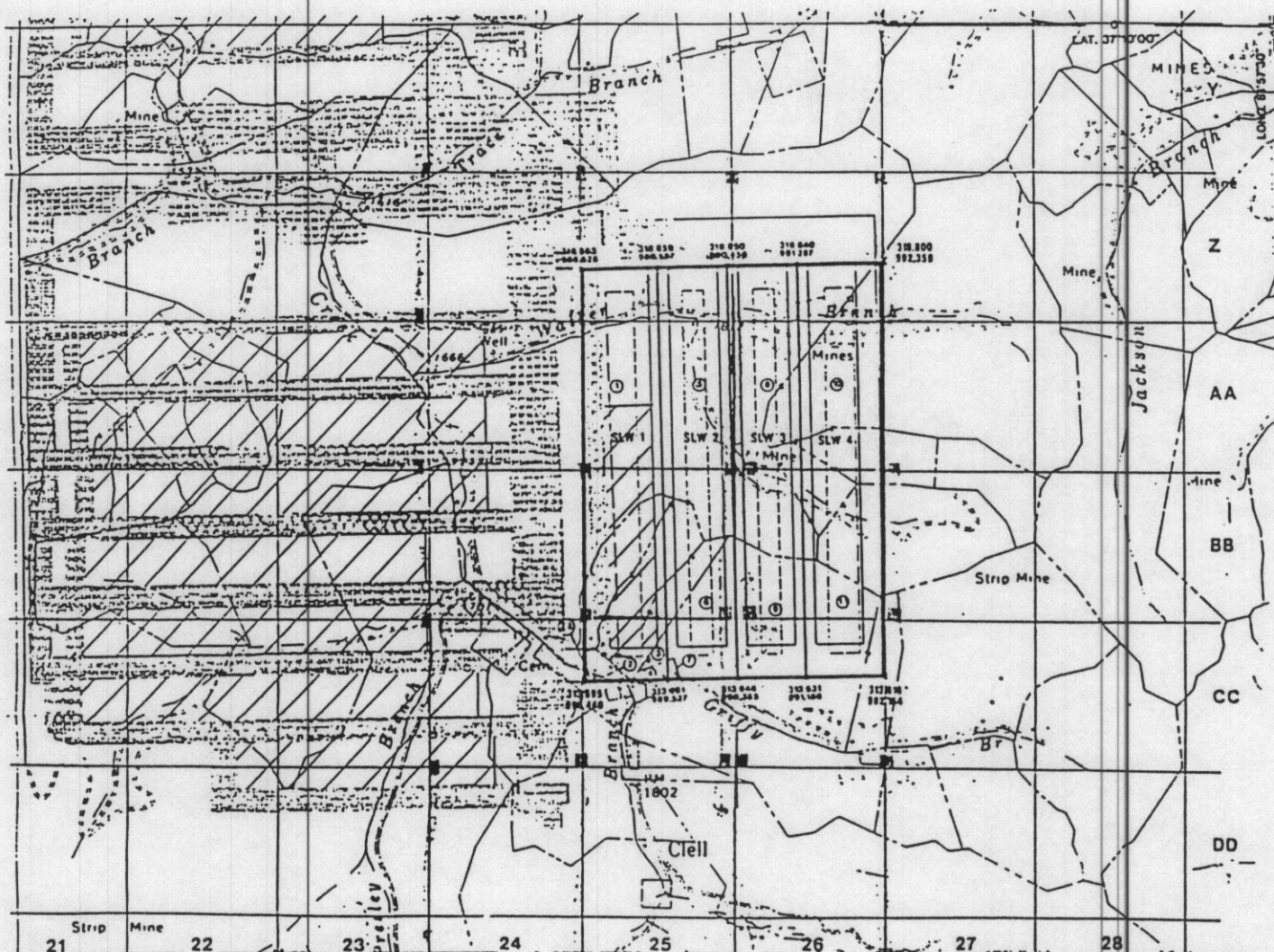
f/ 
Byron Thomas Fulmer
Principal Executive to the Staff
Virginia Gas and Oil Board

Commonwealth of Virginia
County of Washington

Acknowledged on this 29th day of April, 1992, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny R. Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same as Chairman of the Virginia Gas and Oil Board as well as in behalf of the Principal Executive to the Staff of the Virginia Gas and Oil Board and was authorized to do so.


Susan G. Garrett
Susan G. Garrett
Notary Public

My commission expires July 31, 1994.



EXPLANATION

- PANEL UNIT
- PROPERTY LINE
- LONGWALL MINED AREA
- 300 FOOT SETBACK
- CONSOLIDATION COAL COMPANY
BUCHANAN NO. 1 MINE WORKS

U-25 OAKWOOD FIELD SOACRE LD.
TRACT LAND HOOK
LONGWALL PANEL UNIT LD.

325065 VIRGINIA SOUTH STATE PLANE
992667 COORDINATES NORTH 325085
SOUTH 992687

① TRACT ID. SEE PROPERTY
INFORMATION SHEETS

EXHIBIT B

POCAHONTAS GAS PARTNERSHIP
DOCKET NO. VGOB-91-1119-158

LONGWALL PANEL UNITS

KEES MTN. QUADRANGLE
BUCHANAN CO. W. VA.

SCALE: 1" = 1000' ±
N. 0° 00' 00" E.
1:250,000